

The importance of financial education for the bank clients' protection in Kosovo

Gashi, Fitim; Peci, Bedri

Veröffentlichungsversion / Published Version
Zeitschriftenartikel / journal article

Empfohlene Zitierung / Suggested Citation:

Gashi, F., & Peci, B. (2021). The importance of financial education for the bank clients' protection in Kosovo. *Journal of Liberty and International Affairs*, 7(2), 164-181. <https://doi.org/10.47305/JLIA21720164p>

Nutzungsbedingungen:

Dieser Text wird unter einer CC BY Lizenz (Namensnennung) zur Verfügung gestellt. Nähere Auskünfte zu den CC-Lizenzen finden Sie hier:
<https://creativecommons.org/licenses/by/3.0/deed.de>

Terms of use:

This document is made available under a CC BY Licence (Attribution). For more Information see:
<https://creativecommons.org/licenses/by/3.0>



Copyright © 2021 The Author/s
This work is licensed under a CC-BY 3.0 License
Peer review method: Double-Blind
Accepted: May 29, 2021
Published: June 18, 2021
Review article
DOI: <https://www.doi.org/10.47305/JLIA21720164p>

THE IMPORTANCE OF FINANCIAL EDUCATION FOR THE BANK CLIENTS' PROTECTION IN KOSOVO

Fitim Gashi

University of Pristina, Kosovo

ORCID iD: <https://orcid.org/0000-0001-7463-2308>

fitimigashi@gmail.com

Bedri Peci

Faculty of Law, Financial Department, University of Pristina, Kosovo

ORCID iD: <https://orcid.org/0000-0003-4506-0069>

bedri.peci@uni-pr.edu

Abstract: *Technological developments are not easily understood even by people who have advanced education and this leaves much to be expected for other groups. Financial services and banking products are also 'complicated' for professionals, not to mention the ordinary client. As a result of the features of financial products and services, especially banking, information is required as an initial form of knowledge of these services and products, and this information is intensified through a constant process such as education. Hence, this article argues how financial education is performed in Southeast Europe and even in the EU. This article also elaborates on the financial education in Kosovo concerning the protection of banking clients' rights, taking into account the financial education practices from which the Kosovo system can benefit.*

Keywords: *Financial Education; Protection of Banking Clients' Rights; Kosovo; Best Financial Education Practices*

INTRODUCTION

Information about the product or service we receive is the first step in establishing a healthy relationship between the customer and the business. Dissatisfaction can arise from poor customer information and thus we do not have a healthy relationship. In the time of information alone is not enough for some products and services but a longer process is needed, which will be in function of complete and continuous information, and this is the process of education. When we talk about banking products and services, we all agree that they have recently developed quite a lot. But how much are the customers informed about these developments of banking products and services? How does the region of Southeast Europe stand when it comes

to financial knowledge, which includes knowledge about the banking sector? What are the legal powers of the responsible institutions in the process of informing and educating the client in the banking sector in Kosovo? What are the steps to be taken by these institutions to intensify financial information and education in the country? How does information and financial education affect clients' protection in the banking sector?

ABOUT FINANCIAL EDUCATION

Education and information are different concepts, while education means a process of gaining knowledge and skills to understand and manage consumer resources and make relevant decisions, information concerns the data or information on products or services of specific nature. This information influences the client to buy a certain product or service. But both education and information are important components in consumer protection. In this regard, it will be discussed special education in a special field such as financial education. There are many definitions of financial education.

The level of culture and financial education of consumers and the public as a whole for years has attracted the attention of institutions in a growing number of countries. Financial development is critical to economic growth, but its micro-determinants are still not well understood. It should be borne in mind that financial education is not only for investors and that for the establishment of a more balanced development of a multifunctional financial system, but a good education of the population plays a key role. The literature argues that insufficient financial education poses a significant barrier to the demand for financial services: if individuals do not know or understand the products, they do not seek them. The importance of financial education has increased in recent years as a result of financial and demographic, economic market developments, and policy changes. Financial markets and especially banking products are becoming more sophisticated and new products are constantly being offered.

The first international initiative aimed at improving financial knowledge was developed by the Organization for Economic Cooperation and Development (OECD) as an intergovernmental project in 2003 to ensure the continuous improvement of financial education. However, the financial crisis of 2007-2009 can undoubtedly be considered as a turning point for more attention in financial education (Saeedi and Hamed 2018). The influence of financial education, consumer protection, and financial inclusion is growing at the rate of technological advancement, as the economy as a whole and financial market are digitalizing and many clients are receiving digital financial services (OECD 2019). The integration of these three elements as essential components for the financial empowerment of individuals and the overall stability of the financial system has been globally recognized and endorsed by G20 leaders through a set of high-level principles: Innovative Financial Inclusion (2010); Financial Consumer Protection (2011); and National

Strategies for Financial Education (2012). Collectively, these four sets of principles provide an initial basis for developing the most targeted approaches and international guidelines in digital finance. Based on its global leadership in financial education issues, the OECD and its International Financial Education Network (OECD/INFE) are actively involved in developing policy research and guidance on the implications of digital financial services for education.

The Notion of Financial Education

Financial education is the process by which consumers/financial investors improve their understanding of financial products and concepts and, through objective information, guidance, and/or advice; the consumer develops the skills and confidence to become more aware of the risks, and financial opportunities to make informed choices, know where to seek help, and take other effective actions to improve his or her financial well-being, whereas:

- Information includes providing customers with facts, data, and specific knowledge to make them aware of financial opportunities, choices, and consequences;
- Instruction includes giving guidance ensuring that individuals gain knowledge and skills to understand financial terms and concepts, through the provision of training and guidance (OECD 2005).

Advice includes providing customer advice on general finance issues and products so that they can make the best use of the financial information and guidance they have received (OECD 2005). However, there is a difference between consumer protection and consumer education. So, although we often hear about the same issue, it should be noted that there are differences in nuances between these categories, but it can also be concluded that information, namely financial education, meets the opus of what is known as consumer protection and therefore, in that case, can say that financial education has a complementary role in consumer protection within the banking sector.

The most frequently used way to provide financial education is through publications. These publications come in a variety of forms, including brochures, magazines, handouts, newsletters, annual reports, direct mail, documents, letters, and disclosures. Another frequently used method is the internet, in the form of websites, web portals, and other internet services. Other methods used include counseling services, including helplines; public education campaigns and events, including presentations, lectures, conferences, symposia; and training courses and seminars and other channel types. The authors José Roa and Mejía (2018) emphasized that banks can play a major role in promoting financial knowledge through an integrated approach based on supply-side initiatives for financial inclusion. Moreover, since banks are

constantly developing new financial products and services for different customers, they are in a better position to train customers as they are constantly providing financial services. Financial literacy is not a single, but a step-by-step process. It begins in childhood and continues through a person's life to retirement. Instilling the idea about financial literacy in children is especially important because they will carry it for the rest of their lives. The result of the survey is very encouraging, and we want to do our part to make sure all children develop and strengthen their financial literacy skills (George).

Regarding retail banking, three prevalent phenomena underscore the importance of identifying and implementing strategic approaches to financial sustainability and literacy: first, ignorance of the existence of different forms of borrowing can potentially push consumers toward borrowing, e.g. High cost and other expensive forms of credit; second, lack of understanding of how to better manage income and savings to overcome low savings levels can potentially weigh on the families' capacity to deal with unforeseen events; and, thirdly, the rapid pace of digitalization of money and finances, along with the development of new products and services, requires continuing education to be fully understood (EBA 2020).

Consumer protection and financial education together can influence the improvement of efficiency, transparency, and access to financial markets by reducing information asymmetry. Consumer protection and financial education can support financial inclusion to encourage competition leading to lower costs but higher quality products, increasing consumer confidence and reducing risk when purchasing financial products and services because they already know that remedies exist when things do not go well (World Bank 2014). Financial literacy has been defined as the ability to process financial information and make informed decisions about personal finances" (IFMR 2008).

Commercial banks in Kosovo should also have the mission of financial education of their customers since - as stated by various researchers - only when the customer has deeper information and knowledge of banking products, they will ask for them, so this positive aspect should be seen by commercial banks that are in direct contact with the customer. Informing the customer is the first step that banks should maintain in their agenda. During the banking relations, in most cases, the customer doesn't understand the features of the banking products; especially the innovative products are not understandable for the elderly. As a result of not being informed, many customers revolt at the moment they realize that they have purchased an unnecessary product for which an extra fee must be paid.

WHY THE INFORMATION AND THE FINANCIAL EDUCATION ARE IMPORTANT?

During the financial crisis, both household investors and borrowers were confronted with unpleasant surprises. Individual investors learned that the financial products they bought were much riskier than they had perceived. Borrowers found themselves over in debt and unable to service their loans. How did this come about? Investors were looking for high-yield investments and banks began offering newly designed products with the promise of higher returns. In addition, many households were interested in more and higher loans to finance consumption, for example, and banks were often willing to grant them (CESifo DICE Report, 2011). Lack "of effective disclosure and deceptive advertising on the part of providers and failure to understand financial products on the part of consumers contributed to the collapse of the subprime mortgage market in the United States" (CGAP/WB 2010, 23).

The effects of insufficient financial education can be seen in consumer behaviors related to credit management (Lusardi 2008). Lack of knowledge of lending and lending process affects inadequate behavior in the form of obtaining an expensive loan (Swagler and Wheeler 1989, 145-160). A low level of financial education has resulted in a high level of consumer debt, low supply on deposit rate, and a record level of bankruptcies (Fox, Bartholomae, and Lee 2005, 195-214). The effects of low levels of financial knowledge can also manifest themselves in financial stress that extends beyond an individual's personal life (Joo and Garman 1998, 156-161).

At work, employees routinely experience stress from poor financial behaviors in their personal lives, which negatively affect their productivity at work (Garman, Leech, and Grable 1996). These negative personal financial effects are seen throughout the workplace and have negative financial and consequences for employers as well.

Employees use their working time to contact creditors, seek additional sources of credit, and talk to their associates and supervisors about financial problems (Garman 1997). The associated costs incurred by employers from these negative working time behaviors include lower productivity, increased absenteeism, frequent delays, increased risk accidents, increased health care costs for financial stress diseases, employee theft, and time lost in work dealing with personal finance matters, and increased employee turnover (Garman 1997).

For emerging economies, financially educated consumers can help ensure that the financial sector makes an effective contribution to real economic growth and poverty reduction. But financial knowledge is also essential for more developed economies, to help ensure consumers save enough to secure a sufficient retirement income while avoiding high levels of debt that can result in bankruptcy and exemptions. The consumer in Kosovo, classified as a developing economy, must acquire the basic knowledge of financial education not only in terms of economic growth but also to protect their rights as a consumer. But the problem lies in the perception that

consumers have about financial knowledge. Therefore, Kosovo must constantly increase the pace of activities in financial education so that the level of financial knowledge of consumers increases realistically and not according to public perceptions.

Financial literacy includes “knowledge and skills in personal finance planning, financial service selection, budgeting and investigation, credit management, consumer purchasing, consumer rights and obligations, and decision-making skills in every aspect of life as a consumer, worker and citizen” (Thomson 2007), while the financial education means “the ability to interpret, communicate, calculate, develop independent judgment, and take actions that result in that process to thrive in the complex world of finance” (Danes and Haberman 2007, 48-60).

There are responsible authorities in Kosovo that could initiate and at the same time raise the issue of financial education. As we will see in the continuation of this paper, I have identified responsible institutions which could do a great job in the field of financial education such as the Central Bank of the Republic of Kosovo (CBK), the Ministry of Trade and Industry (MTI) - Department of Consumer Protection, the Banking Association, and Consumer Protection Associations.

Weaknesses in consumer protection and financial literacy affect both developed and developing countries where Kosovo and the countries of the Western Balkans region are located. Developing countries around the world have seen rapid growth in their financial sectors over the past decade, and rapid revenue growth has provided consumers with more resources to invest. Increased competition between financial institutions, combined with improvements in financial techniques and information technology, resulted in public sales of highly complex financial products. The public in many emerging markets, however, does not have a history of using sophisticated financial products. For many first-time financial consumers, often no member of their extended family has entered into a long-term financial contract such as a home mortgage loan. Increasing financial education significantly affects investment growth (or access to credit), widening the gap between the complexity of financial products and the ability of consumers to understand what they are buying. Especially in low-income countries, technology is also changing the types of protection needed by many financial first-time consumers. When more than half of the population does not have a bank account, financial services delivered through mobile phones have met a critical need for consumers, but such services raise important issues of consumer disclosure, security, and education. Even in well-developed markets, however, poor consumer protection and financial literacy can make households vulnerable to unfair and abusive practices by their financial institutions, as well as financial fraud (Consumer Protection 2010, 8).

Today, everyone is facing an overwhelming number of complex financial decisions. However, many are unprepared to make informed financial choices as they move into adulthood. Various studies have indicated that students without financial education are more likely to have financial problems, like low credit scores and

significant debt in the future. For this reason, incorporating financial education in schools is more important than ever before. Moreover, financial education and information of the banking clients impact the improvement of financial consumer protection, which in the end will contribute to increased financial stability and a more stable economy within which the financial services environment may thrive and at the same time serves as a deterrent to those financial service providers who would want to exploit financial consumers through irresponsible and abusive practices. In addition, financial consumers will be confident to take part in the financial system.

A BRIEF OVERVIEW OF THE FINANCIAL EDUCATION IN SOME OF THE SOUTHEAST EUROPE COUNTRIES

Financial education is substantial for the financial safety and reliability of individuals, families, companies, and organizations. There are international and regional mechanisms on best practices of consumer protection in the financial sector. Through financial education, citizens enhance their knowledge of financial products, risks, and opportunities.

Consumer protection in general - but also financial education - is on the agenda of many countries in Southeast Europe, a region that has moved from a centralized economy to a market economy in the 90s of the last century. The countries of the region, more or less, are constantly trying to prove themselves in terms of advancing in various processes. Some of these are already the EU Member States and some others aspiring for future membership are conditioned to make legal and institutional reforms within the European integration agenda. In this regard, in the field of consumer protection, including banking consumer protection, different legal and institutional initiatives have been taken to comply with the EU Directives. However, the region remains - on the same level of consumer protection and the level of education and financial information indicate this.

Knowing about financial education is the first step towards taking any action ahead regarding this issue, so some studies are performed in the region to determine the level of financial education. Unfortunately, Kosovo is not included in a recent study on financial education conducted by the OECD, which in turn includes countries from the region that are not much different than ours. According to this research, knowledge about financial services and services reached a maximum point of 57%, which is a very low percentage compared to EU countries where the result is 64% to 65%. According to the OECD, the level of financial knowledge among consumers is low, including those in developed countries (Figure 1). Certainly, this level differs for different education and income levels, but data shows that consumers with higher education and income levels can be as unknowledgeable on financial matters as those with less education and lower income levels (OECD 2006).

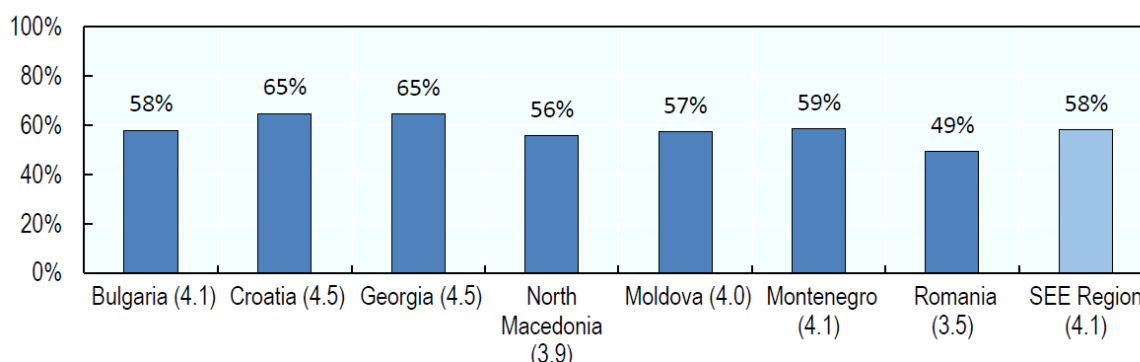


Figure 1: Financial literacy of adults in Southeast Europe
(Source: Financial Literacy of Adults in South East Europe 2020, 7)

With the level of literacy required not only by the financial service provider, but financial education and awareness should also be promoted by all relevant stakeholders, and clear information on consumer protection, rights, and responsibilities should be easily accessible by consumers. The provision of broad-based financial education and information to deepen consumer financial knowledge and capability should be promoted, especially for vulnerable groups (including younger people, illiterate groups, the elderly who do not understand innovative banking products, etc.). The average hides important heterogeneity between and within countries. Adults in Georgia and Croatia are relatively strong in terms of financial knowledge, both when compared to adults in other countries and compared to levels of consumer behavior and attitudes domestically. In Moldova, behavior and attitude scores are considerably higher than the knowledge score and also the highest across the region, helping make the Moldovan financial literacy score the highest in the region overall. Financial knowledge in Romania is low compared to the other countries in the sample, while adults in Bulgaria and North Macedonia exhibit almost identical strengths across all three components of financial literacy. The financial knowledge score of adults in Montenegro is relatively stronger than both their consumer behavior and attitude scores.

FINANCIAL EDUCATION AND INFORMATION IN THE EUROPEAN UNION

Education and information are also specified in Article 169 of the Treaty on the Functioning of the European Union (2012). Education is an independent field of the Member States, and the EU can only facilitate this process. At the European level, there is no specific directive on consumer education in general or financial consumers in particular, but the EU has adopted some directives which have important components of

financial education and consumer protection¹. The intensification in the adoption of directives has continued especially after the financial crisis of 2007-2009, paying great attention to consumer protection in financial products and services. Directives which have an impact on financial education and its protection are extremely important because they enable the consumer to obtain information, e.g. as the Consumer Credit Directive obliges financial institutions to provide all necessary information to the client from the pre-contractual stage in the format of Information Consumer Credit Standard which enables customers to compare prices.

The Payment Accounts Directive also obliges the Member States to support consumer education by providing consumer guidance and assistance in managing their finances², all of which are approved by the European Parliament as one of the institutions that play a key role in consumer protection, although it has limited competencies in the field of education. Also, the adoption of the 'Green Paper on Retail Financial Services' highlights the importance of financial education as a tool to protect and empower consumers.

The European Commission has approved 'Consumer Financial Services Action Plan: Better Products, More Choices' confirming that "this topic is very important all across EU" (European Commission 2017). Committed to European integration, the European Economic and Social Committee (EESC) contributes to strengthening the democratic legitimacy and effectiveness of the EU by enabling civil society organizations from the Member States to express those views at the European level. Over the years, EESC has proven to be active in the field of financial education and financial literacy, publishing, in particular, an opinion entitled 'Financial education and responsible consumption of financial products' and 'Financial education for all' (EESC Report 2017).

¹Directive 93/13/EEC of 5 April 1993 on unfair terms in consumer contracts; Directive 98/6/EC of the European Parliament and of the Council of 16 February 1998 on consumer protection in the indication of the prices of products offered to consumers; Directive 1999/44/EC of the European Parliament and of the Council of 25 May 1999 on certain aspects of the sale of consumer goods and associated guarantees; Directive 2002/65/EC of the European Parliament and of the Council of 23 September 2002 concerning the distance marketing of consumer financial services and amending Council Directive 90/619/EEC and Directives 97/7/EC and 98/27/EC; Directive 2005/29/EC of The European Parliament and of The Council of 11 May 2005 concerning unfair business-to-consumer commercial practices in the internal market and amending Council Directive 84/450/EEC; Directive 2008/48/EC of the European Parliament and of The Council of 23 April 2008 on credit agreements for consumers and repealing Council Directive 87/102/EEC; Directive 2008/122/EC of the European Parliament and of the Council of 14 January 2009 on the protection of consumers in respect of certain aspects of timeshare, long term holiday product, resale and exchange contracts; Directive 2009/22/EC of the European Parliament and of the Council of 23 April 2009 on injunctions for the protection of consumers' interests; Directive 2011/83/EU of the European Parliament and of the Council of 25 October 2011 on consumer rights, amending Council Directive 93/13/EEC and Directive 1999/44/EC of the European Parliament and of the Council and repealing Council Directive 85/577/EEC and Directive 97/7/EC of the European Parliament and of the Council.

² Article 49, Directive 2014/92/EU of the European Parliament and of the Council of 23 July 2014 on the comparability of fees related to payment accounts, payment account switching and access to payment accounts.

Among the most important institutions that contribute to financial education within the EU and beyond is the European Banking Authority (EBA). The EBA founding regulation³ provides in Article 9 as part of its mandate on 'consumer protection and financial activities', that "the Authority will take a leading role in promoting market transparency, simplicity and fairness for products or consumer financial services throughout the internal market, including [...] reviewing and coordinating financial information and education, initiatives by the competent authorities". Article 31 and 31a gives the EBA a general coordination role between the competent authorities', which includes "facilitating the exchange of information between them (The Authority shall, together with the European Supervisory Authority, European Insurance, and Occupational Pensions Authority and with the European Supervisory Authority)" (European Securities and Markets Authority). The EBA constantly undertakes financial education activities that aim to help financial consumers improve their understanding of financial products, concepts, and risks through information, guidance, and objective advice as opportunities to make informed choices, to know where to go, and to help and take other effective actions to improve their financial well-being (EBA 2020, 16). In terms of financial literacy, European Union countries are among the world's best performers in financial literacy (Table 1). Denmark and Sweden both have 70% of the level of education. However, the EU also includes countries that perform below the global average, such as Romania at 22% and Portugal at a rate of 26%.

Table 1: Financial literacy around the world (Source: Bruegel Publication, 2018)

Country/region	Number of countries	Literacy Score
EU	28	50
Non-EU advanced (excl. US)	8	58
US	1	57
China	1	28
Asia (excl. China)	12	32
Africa	35	33
Commonwealth of Independent States (CIS)	12	30
Latin America & Caribbean	19	29

³Regulation (EU) No. 1093/2010 of the European Parliament and of the Council of 24 November 2010 establishing a European Supervisory Authority (European Banking Authority), amending Decision on No 716/2009/EC and repealing Commission Decision 2009/78/EC, OJ L 331, 15.12.2010, p. 12-47. Regulation amended by Regulation (EU) 2019/2175 of the European Parliament and of the Council of 18 December 2019 PE/75/2019/REV/1 OJ L 334, 27.12.2019, p. 1–145.

FINANCIAL EDUCATION IN KOSOVO AND ITS ROLE IN CLIENT PROTECTION

In Kosovo, a generation ago most consumers had only two basic banking products: a current account and a savings account. Such accounts were easy to open and maintain. Now, however, consumers are faced with a different variety of bank accounts: flexible accounts, scheduled time deposit accounts, child accounts, joint accounts, and so on. Not to mention a wide range of other banking products and online services. This has increased the need for the banking client to get more information about the characteristics of the banking products they use. The development of banking technology such as the introduction of ATMs, online banking services, especially e-banking (internet banking service), or mobile banking (mobile banking), show that the advancement of banking technology is moving at a faster pace, faster than customer education or information about these services.

In general terms, consumer information and education are legal rights⁴ also specified in the Law on Consumer Protection (LCP). The law obliges the Ministry of Education (ME) to formulate curricula that are in function of consumer education in the educational system of Kosovo, while the Ministry of Trade and Industry (MTI) is obliged to assist the ME in formulating these curricula. At the same time, the law obliges MTI to cooperate closely with consumer protection associations to provide information and training in the field of consumer protection.

The Government of Kosovo has also approved the 'Consumer Protection Program 2016-2020' where consumer information and education are seen as a very important component in the institutional and legal journey of consumer protection⁵.

From the legal regulations, but also the approved documents like this program, it is not difficult to conclude that in Kosovo many legal and institutional instruments are engaged in consumer protection. Depending on the scope of action, regulatory and supervisory authorities have legal and institutional powers to protect consumers. When it comes to the banking customer, it is the Central Bank of the Republic of Kosovo (CBK) that has the legal authority to not only license financial institutions but to regulate and supervise them as well.

As an example, we can mention the Federal Reserve of the United States of America and its role in financial education. The Federal Reserve Board and Reserve Banks in the United States actively promote consumer education and financial awareness training. They collaborate with financial institutions and community groups to highlight the importance of financial education and to raise consumer awareness as well as local financial education opportunities. They also encourage research to find the most

⁴ Article 4, Consumer rights, Law No. 06 / L-034 on Consumer Protection, Official Gazette of the Republic of Kosovo No. 11/14 June 2018.

⁵ For more details, please see: *Consumer Protection Program 2016 – 2020*, Ministry of Trade and Industry, Prishtina, 2015, pp. 18-19.

effective approaches to educating the general public about financial issues and evaluating financial program education (Ferguson 2002). Following the legal authorizations, the CBK has approved the 'Financial Education Program' which aims to increase the level of financial knowledge to prompt the citizens to make the right decisions regarding financial products and services, savings, and investments. With the development of financial markets and the economic changes that occurred during recent years the importance of financial education also increased during the recent years. In this context, the Central Bank of the Republic of Kosovo has compiled a plan of financial education, which aims to increase the level of financial knowledge which will help the citizens in making more accurate decisions regarding financial services, savings and investment.

The CBK Financial Education Program aims to contribute to financial welfare through better information and financial education of the public and by promoting and maintaining a stable financial system in the country. Within this program, the CBK has promoted a corner on its website which is dedicated to financial education by providing basic information on simpler products that can be used by ordinary consumers such as: use of bank cards, saving money, as well as information that the consumer should know before getting a loan⁶.

The CBK has published a link⁷ on its website and constantly publishes educational materials in the form of brochures, videos, etc., but recently also books about financial education for primary school's pupils starting from first to fifth grade⁸. This is a very good initiative of the CBK that aims at financial education of the consumer, but the financial education program is not published by the CBK and thus we cannot make a more detailed analysis of what it contains or what it will have to contain the program in the form of suggestions. What can be seen from the publications on the website is that there is no cooperation or memorandum with banks and consumer protection associations as very important actors in the process of financial education of customers.

In the meantime, the Kosovo Banking Association (KBA) on its website also has a corner dedicated to financial education where are published some videos and materials related to the financial education campaign⁹. Furthermore, KBA has a bookstore and all interested parties can find interesting materials regarding banking and finance¹⁰.

Financial education in pre-university education is effective as it reaches out to adolescents who can learn about the concept of how to manage finances. Through education, the transfer of financial knowledge of parents-students is achieved, but an important mediator is precisely the educational institution-school. Thus, programs,

⁶ The CBK education materials: <https://bqk-kos.org/edu/wp-content/uploads/2020/04/Broshura-2-Final.pdf>

⁷ The CBK education corner: <https://bqk-kos.org/edu/en/>

⁸ The CBK books for financial education: <https://bqk-kos.org/edu/en/books/>

⁹ <https://www.bankassoc-kos.com/En/edukimi-financiar/>

¹⁰ The list of the books: <https://www.bankassoc-kos.com/En/literatura/>

seminars, activities through fairs stimulate financial behavior in young people. In this respect, both the CBK and the KBA have a tremendous impact on these workshops and seminars. In conclusion, financial education should be activated by key actors in the banking field such as commercial banks, the CBK, the KBA, and the financial education campaign should be intensified.

Special importance is given to consumer education in the Kosovo program for consumer protection. Consumer protection “means fair, complete and comprehensive, and adequate protection of consumer rights in the field of education, schooling, information, and other fields, and protection from different causes, influences, fraudulent activities, substances and complicated factors, which in the daily use by the consumer, have the potential to endanger consumer’s life, health, environment, and family”¹¹.

LEGAL OBLIGATIONS OF BANKS FOR INFORMING CUSTOMERS AS AN IMPORTANT COMPONENT IN FINANCIAL EDUCATION AND CUSTOMER PROTECTION IN THE BANKING SECTOR

The CBK as a regulatory authority has not adopted a decisive regulation regarding financial education, but in this respect, it has adopted two regulations with considerable weight in the field of consumer information. Regulation on the publication of information by banks aims to determine the information that banks should publish as well as the form, manner, and timelines of publication of information to increase the transparency of the banking sector. This regulation obliges all banks operating in Kosovo to publish information about risks, activities for which they are licensed, general information about the bank, information on the structure of shareholders, the structure of governing bodies, and their organizational structure.¹²

Publication of the financial situation through the publication of financial statements and products is undoubtedly important for customers because the customer has information about the banking entity before making a financial decision. This regulation also obliges banks not to disclose information that is considered confidential or confidential to their customers under applicable laws or regulations or other information which may affect their competitive position in its market. An important instrument in the field of information is the ‘Regulation on Effective Interest Rate and Disclosure Requirements’ which obliges commercial banks in Kosovo to disclose the Effective Interest Rate (EIR) concerning two basic products such as consumer credit and deposit. This regulation also obliges banks to provide complete information about products and banking services when signing banking contracts. Important components

¹¹ See: *Consumer Protection Program 2016 - 2020*, Ministry of Trade and Industry, Prishtina, 2015, p. 5

¹² See: Article 3, *Regulation on publication of information by banks*, CBK, Official Gazette of the Republic of Kosovo No. 11/11 May 2012.

of this regulation are the elements of the loan agreement and the deposit agreement (Figure 2). The regulation also has a mandatory space regarding price disclosure requirements, according to which all banks must publish the price lists and fees that are applied in writing on their premises and the website. But bankers do not always update their pricing on the websites for which they are required to do so and as we can see in the table below so are the quotes regarding disclosure with only one specific product.

Table 2: Information presented by Kosovo banks in individual loans pricelists (Source: GAP Institute, 2019)

Individual loans									
	Raiffeisen Bank	Procredit Bank	NLB	Teb Bank	BKT	Banka Ekonomike	BPB	Türkiye İş Bankası	Ziraat Bank
Amount	✓	✓	✓	✗	✓	✓	✓	✓	✗
Prepayment provision	✓	✗	✓	✓	✗**	✗	✗	✗	✗
Late payment interest	✓	✓	✓	✓	✓	✓	✓	✗	✗
Loan maintenance tariff	✓*	✗	✗	✗	✗	✗	✗	✗	✗
Maximum term	✓	✓	✓	✓	✓	✓	✓	✓	✗
Administrative costs	✓	✓	✓	✓	✓	✓	✓	✓	✓
Annual interest rate	✓	✓	✓	✓	✓	✓	✓	✓	✓
Monthly interest rate	✗	✗	✗	✓	✗	✗	✗	✗	✗
Effective interest rate	✓	✓	✓	✓	✓	✓	✓	✓	✗

* Applied only for overdrafts

** Presented only in loan agreements, but not pricelists


Financial education in Kosovo is not part of the school curriculum and consequently, the need for knowledge in the field of finance is great. Recent activities undertaken by the CBK and the Kosovo Banking Association (KBA) are a necessary effort to intensify financial and information-related educational activities. There is a lot of space for all institutions such as the CBK and the KBA but also for the other banks to intensify even more the educational and financial information activity. As economic experts point out, in addition to consumer protection, educating and informing customers has a positive impact on sustainable financial development, which is also a primary objective of the CBK.

CONCLUSION

It is universally recognized that financial education and information, together with a strong consumer protection framework, are vital to the empowerment of individuals and can contribute to the overall stability of the financial system, especially in a developing country. It is therefore valuable for policymakers to have priority about the levels of consumer financial inclusion along with a measure of their financial education (OECD/INFE 2020, 29), therefore, the following are some recommendations that should be undertaken by the CBK and other responsible institutions that have legal obligations in financial education and customer protection in the field of the banking sector in Kosovo.

At first, is informing the clients that the commercial banks should inform accordingly their customers regarding the features of the products/services they receive. Commercial banks should also inform their customers regarding every change in the prices, terms, interest rates, and all relevant applied changes. In the education process, the CBK needs to intensify measures regarding the publication of information and provision of information by commercial banks in Kosovo. This is easily achieved through the examination process which is already a regular process that the CBK undertakes against commercial banks.

Cooperation between the Central Bank of the Republic of Kosovo with the Ministry of Education in the area of financial education needs to be introduced as a subject in primary schools and thus in the institutional line to achieve a presence of financial education from the earliest age.

It can be concluded a very important need to create cooperation between the CBK, the KBA, and the commercial banks regarding the importance of financial education, and to organize workshops and raise the awareness of the banking staff regarding the information of the customers about the banking products and services and the importance of an informed consumer for the banking market. Commercial banks should publish on their website the link to the financial education website of the CBK and proclaim consumer education and information as of vital importance for the consumer himself. The CBK could organize quizzes to measure financial knowledge because so far, unfortunately, there is no measure in this regard (OECD in its publications related to financial education has not included Kosovo). 

REFERENCES

1. CESifo Dice Report (2011). *Financial Inclusion: Reforms in the areas of consumer protection and financial literacy*. Journal for Institutional Comparisons, Volume 9, Number 2.
2. *Central Bank of the Republic of Kosovo*. Education materials available at: <https://bqk-kos.org/edu/wp-content/uploads/2020/04/Broshura-2-Final.pdf>
3. *Central Bank of the Republic of Kosovo*. Education corner available at: <https://bqk-kos.org/edu/>
4. *Central Bank of the Republic of Kosovo*. Books for financial education, available at: <https://bqk-kos.org/edu/en/books/>
5. Danes, S. and Haberman H. (2007). Teen Financial Knowledge Self-Efficacy, and Behavior: A gender view. *Journal of Financial Counselling and Planning*, Vol. 8, Issue 2, available at: https://www.researchgate.net/publication/253732153_Teen_Financial_Knowledge_SelfEfficacy_and_Behavior_A_Gendered_View/link/541736340cf203f155ad5084/download
6. EBA (2020). Report on Financial Education 2019/2020, available at: https://www.eba.europa.eu/sites/default/documents/files/document_library/News%20and%20Press/Press%20Room/Press%20Releases/2020/EBA%20identifies%20trends%20and%20lessons%20learned%20in%20financial%20education%20and%20literacy%20initiatives%20in%20its%20second%20Financial%20Education%20Report/EBA%20Financial%20Education%20Report%202019-2020.pdf
7. European Commission (2017). Communication from the Commission. Consumer Financial Services Action Plan: Better Products, More Choice, Brussels.
8. Carl, George. Chair of the National Commission on Financial Education (CPA) - the mission of this institution is to advance national financial education in the US for more refer to the link: <https://www.aicpa.org/volunteer/financialliteracyresourcecenter/whatis360/mission.html>
9. Fox, J., Bartholomae, S., & Lee, J. (2005). Building the case for financial education. *The journal of Consumer Affairs*, 39(1).
10. Garman, E. T., Leech, I. E., & Grable, J. E. (1996). The negative impact of employee poor personal financial behaviors on employees. *Financial Counseling and Planning*, 7(15).
11. G20/OECD (2016). INFE REPORT HIGHLIGHTS Ensuring financial education and consumer protection for all in the digital age, available at: <https://www.gpfi.org/sites/gpfi/files/documents/HIGHLIGHTS-G20-OECD-INFE-Report-Financial-education-and-consumer-protection-in-the-digital-age.pdf>

12. Joo, S., & Garmin, E. (1998). Workers want more than retirement education at their workplace: A report of research findings. *Personal Finances and Worker Productivity*, 2(2).
13. *Kosovo Banking Association*. Financial Education and Library available at: <https://www.bankassoc-kos.com/En/edukimi-financiar/>
14. Saeedi, A and Hamed, M. (2018). *Financial Literacy, empowerment in the stock market*, Publishing AG part of Springer Nature.
15. *Law No. 06 / L-034 on Consumer Protection*, Official Gazette of the Republic of Kosovo No. 11/14 June 2018.
16. Lusardi, A. (2008). Household saving behavior: The role of financial literacy, information, and financial education programs (Working Paper No. 13824). Retrieved from National Bureau of Economic Research site: <http://www.nber.org/papers/w13824>
17. *Ministry of Trade and Industry* (2016). Consumer Protection Programme 2016-2020, available at: http://www.kryeministri-ks.net/repository/docs/CONSUMER_PROTECTION_PROGRAME.pdf
18. José Roa, M. & D. Mejía (2018). *Financial Decisions of Households and Financial Inclusion: Evidence for Latin America and the Caribbean*. Centro de Estudios Monetarios Latinoamericanos, Durango núm. 54, Colonia Roma Norte, Delegación Cuauhtémoc, 06700 Ciudad de México, México, available at: <https://scioteca.caf.com/bitstream/handle/123456789/1189/2016-jrp.pdf?sequence=1&isAllowed=y>
19. OECD (2005). *Improving Financial Literacy: Analysis of Issues and Policies*, OECD, available at: <https://www.oecd.org/south-east-europe/programme/Kosovo%20Albanian.pdf>
20. OECD (2017). *G20/OECD INFE Report on ensuring financial education and consumer protection for all in the digital age*, available at: <https://www.oecd.org/finance/financial-education/G20-OECD-INFE-Report-Financial-Education-Consumer-Protection-Digital-Age.pdf>
21. OECD (2019). *Effective Approaches for Financial Consumer Protection in the Digital Age*. FCP Principles 1, 2, 3, 4, 6 and 9, available at: https://www.oecd.org/finance/financial-education/Effective-Approaches-FCP-Principles_Digital_Environment.pdf
22. OECD (2019). *Effective Approaches For Financial Consumer Protection in the Digital Age*, available at: https://www.oecd.org/finance/financial-education/Effective-Approaches-FCP-Principles_Digital_Environment.pdf
23. Swagler, R. & Wheeler, P. (1989). *Rental-purchase agreements: A preliminary investigation of consumer attitudes and behaviors*. *Journal of Consumer Affairs*, 23(1), 145-160.

24. Thomson, Gale (2007). *Encyclopedia of Business and Finance*, 2nd. ed. Copyright 2007 Detroit, Mich.: Macmillan Reference USA.
25. WB - *Consumer Protection and Financial Literacy Lessons from Nine Country Studies*, Europe and Central Asia Region Finance and Private Sector Department June 2010.
26. WB (2014). *Global Survey on Consumer Protection and Financial Literacy: Oversight Frameworks and Practices in 114 economies*, available at:
<https://openknowledge.Worldbank.org/bitstream/handle/10986/18978/887730WP0v20P10port0CPFL0Box385258B.pdf?sequence=1&isAllod=y>